A new mortgage world for self-employed Canadians

After enduring decades of mortgage hassles, self-employed Canadians are the new darlings of the mortgage industry – with dozens of new products designed specifically for them.

It was, after all, only a matter of time before lenders recognized that self-employed Canadians were a powerful – and attractive – group of customers. And their numbers are growing. More than 15% of all Canadian workers are self-employed, according to the latest data from Statistics Canada.

It was the non-traditional lenders who first recognized that the financing needs and qualifying criteria of this group of borrowers was very different than Canadians who receive pay stubs and T4s. But almost every lender – including the banks that turned these people away only a decade ago – now offers at least one option for self-employed homebuyers.

But if you're self-employed or earn a commission-based salary, then you owe it to yourself to find a top-notch mortgage planner. Why? Because with all the mortgage and loan options now available, it's a great idea to shop around. It's a buyers' market out there; get some guidance on how to build a plan around one of your most reliable and attractive assets: your home.

Consider some of the choices you now have:

- You can now qualify based on the income that you say you earn. This kind of mortgage is known as "stated income" because the lender takes into account the income you state, and not the income you can prove. After all, good tax planning aims to keep that income low. The income should be reasonable, of course, and the lender may want proof of your self-employment, and may require 5% to 10% down;
- You can now qualify for a mortgage on the strength of a strong credit history, rather than on your income. You'll need a good credit score and proof that you've been self-employed for at least two years;
- Even with some spotty credit and no proof of income, you may qualify for a mortgage if you have some equity in your home (at least 25%). For these mortgages, qualification is based on your accumulated equity and the value of your home;
- Re-advanceable mortgages are a great way to take advantage of increasing equity. As you create equity through mortgage paydown, the line of credit portion of the mortgage is automatically increased by the same amount. This way you can access your equity when needed without having to apply, offering you more convenience and flexibility than a traditional line of credit.

It's the job of lenders, of course, to carefully manage risk. While there is now broad recognition that self-employed Canadians are an excellent and reliable customer group, the rates and options are always best when risk is lowest. Be sure to talk to your mortgage planner about what you can provide: any documentation to prove income and/or employment, a great credit history, a significant downpayment, for example. Any of these will improve your mortgage options and help you get the best rates.

Over a third of all new mortgages in Canada are now arranged through mortgage brokers. If you have your own business, you probably already know it makes sense to go to a specialist to get the job done. The more complex your mortgage situation, the more sense it makes to find an experienced mortgage planner who can customize a mortgage plan to meet your short-term needs and your long-term financial plan. Your home is a very important asset; make the most of it!

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